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NFAC #013-81

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

Deputy Director for National Foreign Assessment

2 January 1981

MEMORANDUM FOR: DCI-designate

SUBJECT : Critical Issues Likely to Face the New Administration
During Its Initial Weeks

This memorandum has four sections. Section A deals with some general considerations, including the question of "testing" the new Administration. Section B discusses specific short-term critical issues. Section C treats views of foreign intelligence services, and Section D US intelligence and warning capabilities in broad terms. A separate memorandum from the Collection Tasking Staff deals with these in more detail.

A. In General:

1. Numerous critical international issues will almost certainly require NSC or Presidential attention during the initial weeks of the new Administration. Except as outlined below, however, most of them would arise whether or not there were a new Administration in Washington.

2. It is the unanimous judgment of the NIC, NFAC, and the Intelligence Community representatives that the USSR will not deliberately confront the new Administration -- at least during its earliest weeks -- with some dramatic test or aggressive military move, although as noted below it may move for other reasons in Poland. The past practice of the USSR at the outset of new US Administrations has been to preserve its own equities, to await US initiatives, and then to test the US at a later time -- depending on how the initial period has affected Soviet estimates of the new Administration. Meanwhile, the Soviets will of course be "testing" the new Administration in numerous non-crisis ways. Of particular note in these respects will be Soviet efforts to seek to clarify US intentions with respect to arms control, European security, and the grain embargo; and US determination with respect to Iran-Iraq-Gulf questions.

3. More generally, the primary interest of the USSR and most other governments during January-March will be to assess the new Administration on issues of prime importance to them. They will generally exercise care

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not to foreclose options and opportunities -- at least until they have taken the measure of the new Administration and determined the degree to which its policies appear likely to accord with their particular interests.

4. Of the countless issues which will be pressing for NSC and Presidential attention, this memorandum concentrates on those likely to confront the Administration's policymakers from the outset or within a very few weeks. These specific issues are discussed below, in Paragraphs 6-21. There are, of course, many other prime issues which are and will be on-going in their character and demands on decisionmaking.

5. Such problems -- insistent but not necessarily posing critical choices between January-March -- include the US' overall approach to:

- (a) The USSR and arms control;
- (b) The many cracks in US-Western European relationships, and the problems of strengthening NATO's cohesion and capabilities;
- (c) Economic summitry, including the North-South mini-Summit to which Mexico and Canada will soon be inviting the US;
- (d) The deteriorating stability and economic status of key LDC's;
- (e) US military and economic problems with respect to Japan;
- (f) China and its role in US strategic thinking and balancing;
- (g) Nuclear proliferation; and,
- (h) Arms transfers.

B. Specific Critical Issues likely to arise which may demand NSC-Presidential decisionmaking, January-March.

6. The hostages in Iran.* The behavior of the Iranians will continue to be a wild card. The passions, pride, and domestic factionalism affecting the Iranians, added to the pressures and vicissitudes of the war with Iraq, and -- behind the braggadocio -- a great fear of extreme US action of some kind, will almost certainly continue to produce rapid twists and turns on the Iranian side. Unless the hostage question has been settled by 20 January,

**This sensitive, complex issue is being treated in depth by CIA in a special study being readied for you and the new Administration.*

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the new US Administration could be faced by any of a spectrum of actions, ranging from sudden reasonableness to severe steps such as trying hostages for espionage or physically harming them.

7. The Iran-Iraq war. A number of critical issues could suddenly arise from this now-stalemated contest. If the Iranians come to feel that they are up against the wall, they might strike out at non-Iraqi targets across the Gulf, attempt to mine portions of the Gulf, or take other desperate actions which might enlarge or greatly complicate the war. War weariness in Iraq may lead to the assassination of Saddam Hussein or to a coup against him. Within Iran, such stability as exists could suddenly give way through assassinations or coup attempts, with consequent temptation for the USSR rapidly to exploit the situation.*

8. The possibility of an oil crisis brought on by extreme Iranian action. Oil market prospects are highly uncertain because of the Iran-Iraq war. The two countries recently have been exporting enough oil, given high stock levels, to keep the market fairly stable. But key export facilities are extremely vulnerable to military action. Iran with its back to the wall could stop all oil shipments out of the Persian Gulf. If oil exports fall, or stocks are reduced to the point that panic buying begins, prices would easily reach \$50 a barrel by spring. In the extreme case, severe world-wide shortages would develop.

9. Poland. While the Soviets have apparently been persuaded to give the Kania regime time to begin getting its house in order, the Poles are still living on borrowed time. The Soviets remain militarily prepared to intervene on short notice -- and with little warning. The internal situation in Poland has not been at fever pitch for nearly a month and, in the absence of a serious provocation by Solidarity (and further concessions by Kania), we do not expect a Soviet military move into Poland. The situation in the country remains very unstable, though, and any combination of events -- food riots, new strikes, interference with lines of communication, further disintegration of party control or unity, etc. -- could trigger coercive measures and major crisis. A formal Special National Intelligence Estimate on Poland is in preparation and should be out by late January. In the meantime, definitive US intelligence on Soviet and Eastern European military moves will continue to be constrained by cloudy weather conditions.

10. Allied Responses re Poland. Should Soviet/Warsaw Pact intervention in Poland occur, one of the chief challenges facing the US would be that of coordinating US actions with the responses of the Allies. So far they have generally shared US views on the Polish question, but a Soviet invasion of Poland would almost certainly evoke wide differences of view among the Western Europeans on specific means of responding to the Soviet intervention, and in some instances perhaps strong disinclination to follow US leads.

*Soviet options relative to Iran and Iraq are examined in Special National Intelligence Estimate 11-34/36.2-80, 24 December 80.

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11. Afghanistan. The Soviets continue to face a prolonged and difficult military operation in Afghanistan. The level of insurgency appears to be on the increase again, and the Soviets may be hard pressed to maintain their existing control over the major population centers and lines of communications. While we do not expect a major Soviet troop increase in the next few months, pressures to alleviate the military situation are likely to intensify. Renewed cross border strikes by Soviet or Afghan aircraft against guerrilla sanctuaries could occur, possibly leading to Pakistani appeals to the new Administration for material and/or political support.

12. The PRC's Deng Xiaoping will be seeking to clarify US intentions toward Beijing and Taipei. And, because of the delicate and complicated realignments he is attempting to orchestrate at this moment within China, Deng will be extremely sensitive to developments in US policy toward China within the US such as, for example, US arms sales to Taiwan.

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14. In El Salvador both the extreme left and the extreme right will almost certainly step up their efforts to depose the present center-right government and to increase their leverage by the time the new US Administration takes office, if not sooner. There is a good chance that the extreme left will receive sharply increased international support from Cuba and Nicaragua and will be in a much stronger position to challenge the military.

15. Horn of Africa/Ogaden. The tide is beginning to turn more clearly there in Ethiopia's favor, and against Somali President Siad. His domestic position may weaken greatly because he has not been able to gain more forthcoming US assistance, and elements of the Somali officer corps may try to move against him. Thus, the new US Administration might well be faced with a sudden threat to US military access rights in Somalia.

16. Libya under Qaddhafi remains a major international trouble-maker. Qaddhafi may follow his success in Chad with new initiatives against Tunisia, Sudan, or any of several West African states. Of more immediate importance, a Libyan attack on a US reconnaissance aircraft over the Mediterranean might occur at any time.

17. Namibia.* There is a good chance that the Geneva Conference on Namibia (which convenes 7 January) may collapse, with a subsequent expansion of guerrilla war in Namibia, a possible African-backed call for UN sanctions against South Africa, and a further complicating of US policy options.

*See NFAC Memorandum, "Namibia: Status of the Settlement Process," of 30 December 1980.

18. In Israel, a vote of no confidence against the government, or the sudden death of Prime Minister Begin (who is in poor health) could quickly lead to significant changes in the Israeli negotiating stance toward Camp David questions; possibly to new diplomatic initiatives by Israel, Egypt or (perhaps) the USSR; and to a need for the US to shift diplomatic gears rapidly.

19. A major crisis could abruptly reappear among Israel, Syria, and Jordan occasioned by events in Lebanon, including that of dramatic Israel military action there. Such a crisis could have serious implications for peace efforts re Israel-Syria, Syria-Jordan hostilities, US decision-making with respect to the Palestinian question, Syrian-Iraqi relations, or the possible further complicating of the Iran-Iraq war.

20. Major crisis could return in the Indochina area occasioned by sustained, large-scale Vietnamese strikes against Democratic Kampuchean sanctuaries in Thailand, undertaken in an effort to bring Kampuchea under more effective military control. The significance for US decisionmaking would likely transcend Vietnamese-Thai hostilities: the principal complication would be Chinese re-invasion of Vietnam -- with accompanying great pressures on the Soviets to defend their interests in Vietnam.

21. Possible disruptive Cuban initiatives. Castro's initial overall stance will probably be essentially defensive except in El Salvador. But he might choose to undertake sudden initiatives such as close security ties to the USSR, greatly increasing Cuban assistance to the Sandinistas in Nicaragua, reviving the refugee exodus, or making threatening sounds with respect to Guantanamo.

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D. US Intelligence Capabilities

23. US intelligence capabilities are best when hard evidence is available and where our resources are concentrated most heavily. Technical intelligence is relatively unambiguous; human source data (clandestine or

overt) is often subject to differing interpretations. Imagery provides voluminous and relatively clear-cut evidence on military capabilities and some economic topics. Communications intelligence may be either very hard or extremely ambiguous; it generally is more clear-cut on military and economic topics than political ones. Overt sources normally can be trusted more on economic and biographic topics than political and military ones, although that varies widely with the political makeup of the country in question.

24. Generally speaking, clandestine source data creates the most difficult problems of interpretation. Some is documentary and very solid. Much is ambiguous or contradictory, and almost all must be considered as possible disinformation. The Community is seldom willing to accept clandestinely acquired information on critical topics unless some confirmation is available from technical sources.

25. As a result, we continue to be strongest on military capabilities of major powers, good on many key economic questions, and least confident when trying to predict short-term decisions of political leaders, especially in closed societies. We can provide good general warning of major developments in the world and good detailed support to crisis management on most subjects in most places. But there will doubtless continue to be occasions when intelligence cannot predict the timing of a new crisis. We can usually warn that conditions are right in Country X for a coup, but predictions of a particular coup, assassination, or terrorist act in the unstable arena of world politics are largely a function of intelligence access to the secret deliberations of a small group of actors, which we often may not get.

26. Most of our collection and analytic problems are not susceptible to quick fixes. They depend on additional resources, better cover, more intensive training, and developing solutions to technical problems. These involve significant lead times.

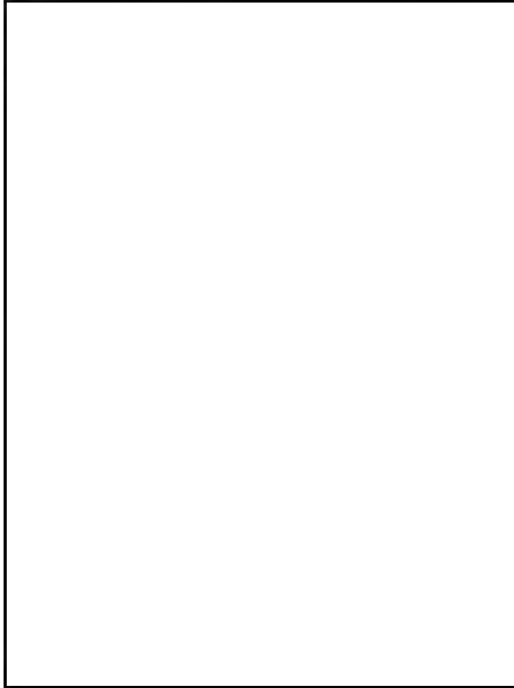
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Approved For Release 2004/07/08 : CIA-RDP81B00493R000100100007-5

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